Adler Pollock & Sheehan Incorporated
2300 Hospital Trust Tower
Providence, Rhode Island 02903
Telephone 401/274-7200
Telex 927661
Fax 401/751-0604

ATTORNEYS AT LAW

ADLER POLLOCK & SHEEHAN

September 13, 1988

Date 9/15/88
Fee $ 13.00
RECORDATION NO. 15821 Filed 1425
ICC Washington, D. C.
SEP 15 1988-3 05 PM
INTERSTATE COMMERCE COMMISSION

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, DC 20423

Dear Ms. McGee:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303 are an original and one copy of a Security Agreement dated August 29, 1988, a Primary Document as defined in the Commission's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Debtor:

Narragansett Railway Company, Inc.
c/o Trains Unlimited, Inc.
501 Sycamore, Suite 200
Chicago Central Building
Waterloo, IA 50703

Secured Party:

Greater Providence Deposit Corporation
170 Westminster Street
Providence, RI 02903
Attn: John F. Sheehan
Assistant Vice President

A description of the railroad equipment covered by the enclosed document is set forth in Exhibit A attached hereto and made a part hereof.

ADLER POLLOCK & SHEEHAN



The required recordation fee of $10.00 is enclosed.

Please return one stamped copy of the enclosed document to

Joseph R. Miller, Esq.
Adler Pollock & Sheehan Incorporated
2300 Hospital Trust Tower
Providence, RI 02903.

A short summary of the enclosed Primary Document to appear in the Commission's Index is

> Security Agreement dated August 29, 1988 between Narragansett Railway Company, Inc., Debtor, and Greater Providence Deposit Corporation, Secured Party, covering one (1) General Electric Diesel-Electric Locomotive bearing serial number 17886.

Should you have any questions concerning this matter, please do not hesitate to call the undersigned.

Very truly yours,

JOSEPH R. MILLER

JRM:mmt

Enclosures

3910I

3909I
JRM 9/2/88

# EXHIBIT A

One (1) General Electric 65 Ton,
400 Horsepower Diesel-Electric
Locomotive, Manufactured in 1943
and Bearing Serial Number 17886

1 5821
RECORDATION NO. _____ FILED 1986
SEP 15 1988 3 05 PM
INTERSTATE COMMERCE COMMISSION

COPY

97
JRM 0 /01/88

SECURITY AGREEMENT
OF NARRAGANSETT RAILWAY COMPANY

THIS AGREEMENT, dated as of the Date of Agreement set forth below, is entered into by and between GREATER PROVIDENCE DEPOSIT CORPORATION, a Rhode Island loan and investment bank ("Secured Party"), and NARRAGANSETT RAILWAY COMPANY, INC., a Rhode Island corporation ("Debtor").

In consideration of any loan made or to be made by Secured Party to The Newport Star Clipper Limited Partnership, an Iowa limited partnership ("Newport Star Clipper") and Rhode Island Dinner Train, Inc., a Rhode Island corporation ("Dinner Train"), and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS

When used herein, the terms set forth below shall be defined as follows:

1.1 "Date of Agreement" is August 29, 1988

1.2 "Debtor's Address" is c/o Trains Unlimited, Inc., 501 Sycamore, Suite 200, Waterloo, Iowa 50703.

1.3 "Secured Party's Address" is 170 Westminster Street, Providence, Rhode Island 02903.

1.4 "Equipment" means certain railroad equipment owned by Debtor, more particularly described on Schedule A attached hereto and made a part hereof.

1.5 "Collateral" means:

1.5.1 The Equipment;

1.5.2 All ledger sheets, files, records, documents and instruments (including, without limitation, computer programs, tapes and related electronic data processing software) evidencing an interest in or relating to the Equipment; and

1.6 "Event of Default" means each and every event specified in Section 6 of this Agreement.

1.7 "Loan Agreement" means the Loan Agreement of even date herewith among Newport Star Clipper, Dinner Train and Secured Party.

1.8 "Obligations" means the Obligations of Debtor under a Guaranty of even date herewith between Debtor and Secured Party (the "Narragansett Guaranty").

To the extent not defined in this Section 1, unless the context otherwise requires, all other terms contained in this Agreement shall have the meanings attributed to them by Article 9 of the Uniform Commercial Code in force in the State of Rhode Island on the Date of Agreement, to the extent the same are used or defined therein.

2. REPRESENTATIONS AND WARRANTIES

Debtor represents and warrants to Secured Party, and such representations and warranties shall be continuing representations and warranties so long as any Obligations shall remain outstanding, as follows:

2.1 Debtor has been duly incorporated and organized and is existing as a corporation in good standing under the laws of the State of Rhode Island and is duly qualified and in good standing as a foreign corporation in those jurisdictions in which the conduct of its business or the ownership of its properties requires qualification; Debtor has the power and authority to own the Collateral, to enter into and perform this Agreement and any other document or instrument delivered in connection herewith and to incur the Obligations.

2.2 Debtor utilizes no tradenames in the conduct of its business, except as set forth in Section 10 of this Agreement; has not changed its name, been the surviving entity in a merger, acquired any business; or changed the location of its chief place of business or chief executive office; or changed the location of the Equipment; except as set forth in Section 10 hereof.

2.3 The execution and performance of this Agreement and any other document or instrument delivered in connection herewith will not result in the creation or imposition of any lien or encumbrance upon any of the Collateral (immediately, with the passage of time, or with the giving of notice and the passage of time).

2.4 This Agreement and any document or instrument delivered in connection herewith and the transactions contemplated hereby or thereby have been duly authorized, and/or executed and delivered, as appropriate; and this Agreement and such other documents and instruments constitute valid and legally binding obligations of Debtor and are enforceable against Debtor in accordance with their respective terms.

2.5 Debtor is the owner of the Collateral free and clear of all security interests, encumbrances or liens, except liens which arise by operation of law with respect to obligations of Debtor which are not yet due and payable and except as may be specifically set forth in Section 10 hereof and except those in favor of Secured Party; and Debtor will defend the Collateral against all claims and demands of all persons at any time claiming an interest therein.

2.6 Debtor has filed all federal, state and local tax returns and other reports it is required to file and has paid or made adequate provision for payment of all such taxes, assessments and other governmental charges.

2.7 No representation, warranty or statement by Debtor contained herein or in any certificate or other document furnished or to be furnished by Debtor pursuant hereto contains or at the time of delivery shall contain any untrue statement of material fact, or omits, or shall omit at the time of delivery, to state a material fact necessary to make it not misleading.

3. SPECIFIC REPRESENTATIONS, WARRANTIES AND COVENANTS WITH RESPECT TO COLLATERAL

With respect to the Collateral, Debtor hereby represents and warrants to and covenants with Secured Party, that:

3.1 The Equipment is in the possession of Debtor at Debtor's Address or at the location(s) set forth in Section 10 hereof and that said location(s), if not owned by Debtor, are leased by Debtor as set forth in Section 10;

3.2 Debtor shall keep and maintain the Equipment in good operating condition and repair, make all necessary repairs thereto and replace parts thereof so that the value and operating efficiency thereof shall at all times be maintained and preserved; and Debtor shall keep complete and accurate books and records with respect to the Equipment, including maintenance records;

3.3 Debtor shall deliver to Secured Party upon request any and all evidence of ownership of, and certificates of title to, the Equipment;

3.4 Debtor shall not, without the prior written consent of Secured Party, sell, offer to sell, lease or in any other manner dispose of the Equipment; and

3.5 Debtor shall notify Secured Party in writing no later than thirty (30) days prior to any change of any location in which the Equipment is or may be kept.

4. GRANT OF SECURITY INTEREST

To secure the payment and performance of the Obligations, Debtor hereby pledges, assigns and transfers to Secured Party, and grants to Secured Party a continuing security interest in and to the Collateral.

5. GENERAL COVENANTS

Debtor covenants and agrees that so long as any Obligations remain outstanding Debtor shall:

5.1 Not mortgage, pledge, grant or permit to exist a security interest in, or lien or encumbrance upon the Collateral except in favor of Secured Party and as set forth in Section 10 hereof.

5.2 Upon the request of Secured Party, furnish Secured Party promptly and in form satisfactory to Secured Party, such information as Secured Party may reasonably request from time to time.

5.3 Maintain casualty insurance coverage on the Collateral in such amounts and of such types as may be requested by Secured Party, and in any event, as are ordinarily carried by similar businesses; and, in the case of all policies insuring property in which Secured Party shall have a security interest of any kind whatsoever, all such insurance policies shall provide that the proceeds thereof shall be payable to Debtor and Secured Party, as their respective interests may appear. Debtor has a right of free choice of agent and insurer through or by which such insurance is to be placed, subject only to the requirements that insurer be authorized to do business in each state where the Collateral is located and have a licensed resident agent therein and that such insurer's financial condition is reasonably satisfactory to Secured Party. All said policies or certificates thereof, including all endorsements thereof and those required hereunder, shall be deposited with Secured Party; and such policies shall contain provisions that no such insurance may be cancelled or decreased without ten (10) days prior written notice to Secured Party; and, in the event of acquisition of additional insurable Collateral, Debtor shall cause such insurance coverage to be increased or amended in such manner and to such extent as prudent business judgment would dictate. If Debtor shall at any time or times hereafter fail to obtain and/or maintain any of the policies of insurance required herein, or fail to pay any premium in whole or in part relating to any such policies, Secured Party may, but shall not be obligated to, obtain and/or cause to be maintained insurance coverage with respect to the Collateral, including, at Secured Party's option, the coverage provided by all or any of the policies of Debtor and pay all or any part of the premium therefor, without waiving any Event of Default by Debtor, and any sums so disbursed by Secured Party shall be additional Obligations of Debtor to Secured Party

payable on demand. Secured Party shall have the right to settle and compromise any and all claims under any of the policies required to be maintained by Debtor hereunder and Debtor hereby appoints Secured Party as its attorney-in-fact, with power to demand, receive and receipt for all monies payable thereunder, to execute in the name of Debtor or Secured Party or both any proof of loss, notice, draft or other instruments in connection with such policies or any loss thereunder and generally to do and perform any and all acts as Debtor, but for this appointment, might or could perform;

5.4 Permit Secured Party, through its authorized attorneys, accountants and representatives, to inspect and examine the Collateral and the books, accounts, records, ledgers and assets of every kind and description of Debtor with respect thereto at all reasonable times;

5.5 Promptly notify Secured Party of any condition or event which constitutes, or would constitute with the passage of time or giving of notice or both, an Event of Default under this Agreement;

5.6 Maintain in good standing its corporate existence in the State of Rhode Island and its status as a foreign corporation qualified to do business in those jurisdictions in which Debtor is required to be qualified;

5.7 If Debtor shall now or hereafter maintain an employee benefit plan covered by Section 4021(a) of the Employee Retirement Income Security Act of 1974 (hereinafter referred to as "ERISA") relating to plan termination insurance, promptly: (a) notify Secured Party of the filing of notice with the Pension Benefit Guaranty Corporation (hereinafter referred to as the "PBGC") pursuant to Section 4041 of ERISA that the plan is to be terminated; and (b) notify Secured Party of the institution of proceedings by the PBGC under Section 4042 of ERISA;

5.8 Pay or deposit promptly when due all sales, use, excise, personal property, income, withholding, franchise and other taxes, assessments and governmental charges upon or relating to its ownership or use of the Collateral and, upon request of Secured Party, submit to Secured Party proof satisfactory to Secured Party that such payments and/or deposits have been made; and

5.9 At any time and from time to time upon request of Secured Party, execute and deliver to Secured Party, in form and substance satisfactory to Secured Party, such documents as Secured Party shall deem necessary or desirable to perfect or maintain perfected the security interest of Secured Party in the Collateral or which may be necessary to comply with the provisions of the law of the State of Rhode Island or the law of any other jurisdiction in which Debtor may then be conducting business or in which any of the Collateral may be located.

## 6. EVENTS OF DEFAULT AND ACCELERATION

6.1 The occurrence of any one or more of the following events shall constitute an Event of Default hereunder: Default in the observance or performance of any covenant or agreement of Debtor herein set forth or the occurrence of an Event of Default as defined and described in the Loan Agreement or any Security Document.

6.2 If any Event of Default shall occur, then or at any time thereafter, while such Event of Default shall continue, Secured Party may declare all Obligations to be due and payable, without notice, protest, presentment or demand, all of which are hereby expressly waived by Debtor.

## 7. RIGHTS AND REMEDIES

Secured Party shall have, by way of example and not of limitation, the rights and remedies set forth in Paragraphs 7.1(i) through (v), inclusive, and 7.3, at all times prior to and/or after the occurrence of an Event of Default and shall have all of the rights and remedies enumerated herein after the occurrence of an Event of Default;

7.1 Secured Party, and any officer or agent of Secured Party is hereby constituted and appointed as true and lawful attorney-in-fact of Debtor with power: (i) to endorse the name of Debtor upon any instruments of payment (including payments made under any policy of insurance) that may come into possession of Secured Party in full or part payment of any amount owing to Secured Party; (ii) to notify the post office authorities to change the address for delivery of mail of Debtor to an address designated by Secured Party and to receive, open and dispose of all mail addressed to Debtor; and (iii) to sell, assign, sue for, collect or compromise payment of all or any part of the Collateral in the name of Debtor or in its own name, or make any other disposition of Collateral, or any part thereof, which disposition may be for cash, credit or any combination thereof, and Secured Party may purchase all or any part of the Collateral at public or, if permitted by law, private sale, and in lieu of actual payment of such purchase price, may set-off the amount of such price against the Obligations; granting to Secured Party, as the attorney-in-fact of Debtor, full power of substitution and full power to do any and all things necessary to be done in and about the premises as fully and effectually as Debtor might or could do but for this appointment, and hereby ratifying all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Neither Secured Party nor its agents shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law in its capacity as such attorney-in-fact. This power of attorney is coupled with an interest and shall be irrevocable so long as any Obligations shall remain outstanding.

7.2 Secured Party shall have the right to enter and/or remain upon the premises of Debtor without any obligation to pay rent to Debtor or others, or any other place or places where any of the Collateral is located and kept and: (a) remove Collateral therefrom to the premises of Secured Party or any agent of Secured Party, for such time as Secured Party may desire, in order to maintain, collect, sell and/or liquidate the Collateral; or (b) use such premises, together with materials, supplies, books and records of Debtor, to maintain possession and/or the condition of the Collateral, and to prepare the Collateral for selling, liquidating or collecting. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties.

7.3 Secured Party shall have, in addition to any other rights and remedies contained in this Agreement, and any other agreements, guarantees, notes, instruments and documents heretofore, now or at any time or times hereafter executed by Debtor and delivered to Secured Party, all of the rights and remedies of a secured party under the Uniform Commercial Code in force in the State of Rhode Island all of which rights and remedies shall be cumulative, and none exclusive, to the extent permitted by law.

7.4 Any notice required to be given by Secured Party of a sale or other disposition or other intended action by Secured Party with respect to any of the Collateral, or otherwise, made in accordance with the terms of this Agreement at least ten (10) days prior to such proposed action, shall constitute fair and reasonable notice to Debtor of any such action. In the event that any of the Collateral is used in conjunction with any real estate, the sale of the collateral in conjunction with and as one parcel with any such real estate of Debtor, shall be deemed to be a commercially reasonable manner of sale. The net proceeds realized by Secured Party upon any such sale or other disposition, after deduction of the expenses of retaking, holding, preparing for sale, selling or the like and reasonable attorneys' fees and any other expenses incurred by Secured Party, shall be applied toward satisfaction of the Obligations hereunder. Secured Party shall account to Debtor for any surplus realized upon such sale or other disposition and Debtor shall remain liable for any deficiency. The commencement of any action, legal or equitable, shall not affect the security interest of Secured Party in the Collateral until the Obligations hereunder or any judgment therefor are fully paid.

## 8. GENERAL PROVISIONS

8.1 The failure of Secured Party at any time or times hereafter to require strict performance by Debtor of any of the provisions, warranties, terms and conditions contained in this Agreement or in any other agreement, guaranty, note, instrument

or document now or at any time or times hereafter executed by Debtor and delivered to Secured Party shall not waive, affect or diminish any right of Secured Party at any time or times hereafter to demand strict performance thereof; and, no rights of Secured Party hereunder shall be deemed to have been waived by any act or knowledge of Secured Party, its agents, officers or employees, unless such waiver is contained in an instrument in writing signed by an officer of Secured Party and directed to Debtor specifying such waiver. No waiver by Secured Party of any of its rights shall operate as a waiver of any other of its rights or any of its rights on a future occasion.

8.2 Any demand or notice required or permitted to be given hereunder shall be deemed effective when deposited in the United States mail, and sent by certified mail, return receipt requested, postage prepaid, addressed to Secured Party at Secured Party's Address or to Debtor at Debtor's Address, as applicable, or to such other address as may be provided by the party to be notified, on ten (10) days prior written notice to the other party.

8.3 This Agreement contains the entire understanding between the parties hereto with respect to the transactions contemplated herein and such understanding shall not be modified except in writing signed by or on behalf of the parties hereto.

8.4 Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law; should any portion of this Agreement be declared invalid for any reason in any jurisdiction, such declaration shall have no effect upon the remaining portions of this Agreement. Furthermore, the entirety of this Agreement shall continue in full force and effect in all other jurisdictions and said remaining portions of this Agreement shall continue in full force and effect in the subject jurisdiction as if this Agreement had been executed with the invalid portions thereof deleted.

8.5 In the event Secured Party seeks to take possession of any or all of the Collateral by court process, Debtor hereby irrevocably waives any bonds and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession, and waives any demand for possession prior to the commencement of any suit or action to recover with respect thereto.

8.6 The provisions of this Agreement shall be binding upon and shall inure to the benefit of the heirs, administrators, successors and assigns of Secured Party and Debtor, provided, however, Debtor may not assign any of its rights or delegate any of its obligations hereunder without the prior written consent of Secured Party.

8.7 This Agreement is and shall be deemed to be a contract entered into and made pursuant to the laws of the State of Rhode Island and shall in all respects be governed, construed, applied and enforced in accordance with the laws of said state; in the event that the Secured Party brings any action hereunder in any court of record of Rhode Island or the Federal Government, Debtor consents to and confers personal jurisdiction over Debtor by such court or courts and agrees that service of process may be made upon Debtor by mailing a copy of the summons to Debtor at Debtor's Address.

8.8 If, prior hereto and/or at any time or times hereafter, Secured Party shall employ counsel in connection with the execution and consummation of the transactions contemplated by this Agreement or to commence, defend or intervene, file a petition, complaint, answer, motion or other pleadings, or to take any other action in or with respect to any suit or proceeding (bankruptcy or otherwise) relating to this Agreement, the Collateral or any other agreement, guaranty, note, instrument or document heretofore, now or at any time or times hereafter executed by Debtor and delivered to Secured Party, or to protect, collect, lease, sell, take possession of or liquidate any of the Collateral, or to attempt to enforce or to enforce any security interest in any of the Collateral, or to enforce any rights of Secured Party hereunder, whether before or after the occurrence of any Event of Default, or to collect any of the Obligations, then in any of such events, all of the reasonable attorneys' fees arising from such services, and any expenses, costs and charges relating thereto, shall be part of the Obligations, payable on demand and secured by the Collateral.

8.9 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

8.10 Each reference herein to Secured Party shall be deemed to include its successors and assigns, and each reference to Debtor and any pronouns referring thereto as used herein shall be construed in the masculine, feminine, neuter, singular or plural, as the context may require, and shall be deemed to include the legal representatives, successors and assigns of Debtor, all of whom shall be bound by the provisions hereof.

8.11 The section headings herein are included for convenience only and shall not be deemed to be a part of this Agreement.

9. <u>ASSIGNMENT BY SECURED PARTY</u>

Secured Party may, from time to time, without notice to the Debtor, sell, assign, transfer or otherwise dispose of all or any part of the Obligations and/or the Collateral

therefor. In such event, each and every immediate and successive purchaser, assignee, transferee or holder of all or any part of the Obligations and/or the Collateral shall have the right to enforce this Agreement, by legal action or otherwise, for its own benefit as fully as if such purchaser, assignee, transferee or holder were herein by name specifically given such rights. Secured Party shall have an unimpaired right to enforce this Agreement for its benefit with respect to that portion of the Obligations of Debtor Secured Party has not sold, assigned, transferred or otherwise disposed of.

10. ADDITIONAL INFORMATION

Information, if any, required to be set forth herein by paragraphs 2.2, 2.5, 3.1.1, 3.2.1 and/or 3.3.1 hereof, as applicable, shall be inserted in the following spaces;

2.5 (Debtor's other security interests, encumbrances and liens):

Lien in favor of Citizens Trust Company

3.1 (Address of other places of business of Debtor and of the location of Equipment other than at Debtor's Address and owner and description of all leased premises):

19 America's Cup Avenue
Newport, Rhode Island 02840

WITNESS:

Renee Shippy

DEBTOR:

NARRAGANSETT RAILWAY COMPANY, INC.

By: Doyle L. Cowles
Doyle L. Cowles
President

WITNESS:

SECURED PARTY:

GREATER PROVIDENCE DEPOSIT CORPORATION

By: John F. Sheehan
John F. Sheehan
Assistant Vice President

STATE OF Iowa
COUNTY OF Black Hawk

In Waterloo Iowa on the 6th day of September, 1988, before me personally appeared Doyle L. Cowles, President of Narragansett Railway Company, Inc., a Rhode Island corporation, known by me to be the person executing the foregoing instrument, and he acknowledged said instrument so executed to be his free act and deed and the free act and deed of Narragansett Railway Company, Inc.

Notary Public

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

In Providence, on the 13th day of September, 1988, before me personally appeared John F. Sheehan, Assistant Vice President of Greater Providence Deposit Corporation, a Rhode Island loan and investment bank, known by me to be the person executing the foregoing instrument, and he acknowledged said instrument so executed to be his free act and deed and the free act and deed of Greater Providence Deposit Corporation.

Notary Public

EXHIBIT A

One (1) General Electric 65 Ton,
400 Horsepower Diesel-Electric
Locomotive, Manufactured in 1943
and Bearing Serial Number 17886